

<p align="center"><b>2003-2004</b> <b>ANNUAL REPORT</b></p>
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## SPECIAL REVENUE FUNDS (CONT'D.)

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### Municipal Health Services Program Fund

The Municipal Health Services Program Fund accounts for community-based health care services to Medicare recipients at four San José clinics. Funding for this demonstration project is provided by the federal Centers for Medicare and Medicaid Services (CMS), formerly the Health Care Financing Administration.

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***Municipal Health  
Services Program  
Fund***

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 7,459	\$ 7,502	\$ 43	0.6%
<i>Expenditure</i>	7,560	7,445	115	1.5%
<i>Fund Balance (est. *)</i>	826 *	903	77	9.3%

The revenue variance is primarily due to a higher reimbursement for Medicare claims payments. This positive revenue variance was partially offset by reimbursements for city administrative costs and certified cost reports and interest earnings that were slightly lower than budgeted. The expenditure savings reflect lower City administrative costs, including overhead, and savings for the phase-down plan, patient services information, and the certified cost reports. There have been minimal charges for phase-down of the project since this activity is no longer taking place at this time. It should be noted that since the Medicare claims payment is a cost reimbursement grant, revenue is received based on reimbursement for services delivered by clinics that provide services to the elderly. However, it is likely that there is a variance between revenues and expenditures due to timing and receipt of revenue before the City is billed by the clinics. In addition, budgeted amounts related to Medicare claims are estimates given to the Municipal Health Services Program by the clinics. Thus, it is difficult for the clinics to forecast patient utilization of services for a number of reasons, such as program attrition.

The fund balance ended the year slightly higher than the estimated level due to the higher than estimated revenue from reimbursement for Medicare claims payment, offset by lower than anticipated expenditures for Medicare claims payments as discussed above. In addition, the City received reimbursement for Medicare claims payments of over \$1 million for prior fiscal years activity which was assumed in the development of the 2004-2005 budget. A majority of these funds are programmed to be used to reimburse the clinics in 2004-2005 for services previously rendered.